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Federal Communications Commission  
Office of the Secretary**Mark Nadel**

**From:** Don at ERP [ddietrich@e-rateprofessionals.com]  
**Sent:** Monday, August 13, 2012 10:19 PM  
**To:** Mark Nadel  
**Cc:** Jerry Huff  
**Subject:** KANED Appeal

CC Docket No. 02-6

Marc,

471 application #449052

Per our previous conversations, we believe that the facts below have a direct bearing on our appeal.

1. The KANED network is composed of only leased telecom lines from public carriers. Nothing was 'built' to support it.
2. The total out-of-pocket costs FY2005 was \$3,073,664 as shown in the table on page 4 of our Appeal.
3. The number of eligible users and non-eligible users as of 1/31/2005 was 159 eligible users (k-12 and libraries) and 24 non-eligible users (hospitals and higher ed). This would result in a cost allocation factor of 13% ineligible costs  $[(24 / (24+159)) = 13\%]$ . This was documented in our original FCC Appeal from March 2006 (footnote 1 on page 3). Our rationale for this one-to-one counting for cost allocation method was to assure that we had a defensible cost allocation that met or exceeded SLD guidelines. Specific clarifying details include:
  - a. The original driving factor in building the KANED network was to provide Distance Learning services to K-12 schools – they have always been the dominant users and internet connectivity was not offered on the network at that time.
  - b. The bandwidth (and hence cost) requirements are 'flatter' and based on the presence or absence of a video endpoint which is more closely controlled and less population dependent than if we would have provided Internet Access.
  - c. Each k-12 entity in our count represents a school district and each district is typically composed of elementary, middle and high schools. School districts range from as few as one or two buildings to as many as 93.
  - d. The K12 schools were the greatest users of bandwidth as the primary use of this network was to provide a network that would provide quality transport for video in the K12 environment for the purpose of distance learning. Sharing of teachers in a rural area like Kansas is a necessity. In many cases, we believe that we could have counted community colleges as eligible sites, as the primary reason to connect them was to be a source of instruction to the K-12 facilities but to be on the 'safe' side we did not. Also, the large colleges and universities (Univ of KS, KS State etc) have their own separate telecom network that is not a part of the KANED network and is not connected in any way with our funding.
4. In our current appeal we calculated that our repayment to SLD should be a total of approx. \$98,000 (last paragraph on page 3). Based on the cost allocation above, we would not estimate that the new amount (87%) would be approximately \$147,981. This would be the total amount and would replace all of the various cost allocations discussed in our appeal. This is an effort to 'simplify' this appeal and resolve the FY2005 application once and for all.

Thanks,  
Don Dietrich & Jerry HUFF

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